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The MANAGEMENT REVIEW

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in the United States, NATIONAL INDUSTRIAL CONFERENCE
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The MANAGEMENT REVIEW

September, 1926

Europe's Attitude Toward American Methods

BY SAM A. LEWISOHN

*Vice-President and Treasurer, Miami Copper Company
Chairman of the Board, American Management Association*

European enthusiasm about and desire for knowledge concerning American business and industrial methods is the most striking feature to one investigating European industrial conditions.

"American methods" has become a catch-word on the other side. Europeans seem to think American methods a panacea for Europe's business and industrial troubles. They seek to adopt bodily American methods of scientific organization in their industrial operations, and are eager to introduce our labor-saving devices and our large-scale production methods. They are impressed not only with the scientific organization of our industries as to operating methods but also with our methods of handling and dealing with the human problems that rise from time to time as a result of mass production.

Increasing Per Capita Production

The aim, of course, is to increase the per capita production. The productive output of European factories is about what it was in the pre-war period. In that interval, however, the American per capita production has very greatly increased.

Many things stand in the way of Europe's turning to mass-production methods. The most important of these is inability to get quickly the distribution necessary to justify quantity-production installations. It is often true

that they cannot afford to take the gamble in the individual industries of organizing in a large way, for they have no assurance that they can work up rapidly the ramifying outlets for the product necessary to keep the plant operating at capacity once it is built.

Europe's population is not accustomed to using standardized products. Even in the matter of tools, each nation has its own type of equipment; there are different requirements to be met in every country and the tastes are as numerous as are the various nationalities. Consequently, it is no easy matter to market a standardized product on a large scale.

Europeans fail to realize how much our quantity-production enterprises depend for their success upon the great buying power of the American worker that has resulted from his high wage-scale and the high standard of living that he has attained with its accompanying interest in new comforts and devices as they are developed and brought before the public.

In Europe, National custom and customs barriers have to be overcome. There is no standardized consumer demand. Tastes vary in the different nations and it is therefore difficult to distribute a standardized product. Political boundaries intervene to hamper distribution. This difference in national wants is not confined to consumer goods but extends also to machinery. Even telephone systems cannot operate over any distance. The impossibility of talking freely from one country to another across national boundaries prevents wide-scale organization. One can readily imagine, however, what would happen if it were difficult to communicate between different states in our own country.

If, admitting for the sake of argument, that the difficulties in the way of marketing the products of the factories were overcome, Europe has not the large number of production managers trained to manufacture on a large scale. It will take considerable time and experience to train such managers.

The Caste Barrier in Europe

There is the caste barrier in Europe. The laboring man with administrative ability becomes a trade union leader instead of being promoted to an administrative position in management ranks. Though, of course, generalizations are dangerous, I think it can be confidently stated that Europeans are far behind us in the adoption of modern personnel methods. There is also an unwillingness, almost an aversion, to the free exchange of technical and even of management information such as is necessary in coping successfully with quantity-production problems under the handicap of new conditions.

These difficulties are, of course surmountable, but it will take time. I believe that it will be many years before Europe threatens our supremacy in strictly quantity manufacturing.

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Principles of Business Education*

The ultimate test of an executive is ability to handle business wisely and well. To the extent that such ability can be developed by systematic education, it is the task of the Graduate School of Business to develop it. The task cannot be done merely by stocking students up with facts or even with ideas that are simply given him to absorb. He must be led out into a world which he will come to understand by doing his own thinking. By cultivating the habit of arranging facts and ideas in relations of cause and effect he will be led toward sound conclusions and bases of wise actions.

Along with this power to think must go an intellectual and moral respect for business as a profession—a profession which like others is governed by accepted standards of fitness of service and of conduct among its members.

Course of Study

In studying business it is important for both faculty and students to bear in mind that although business is divisible into departments and functions, a going business in order to be well managed must operate as a unit. In the earlier stages of business education and research it was natural and often essential to the proper organization of the task that study should center on the divisional branches of business. Out of this has come a tendency to focus attention on the parts of a business rather than on the business as a whole. This is a tendency which has to be constantly combated in actual business and it is necessary to combat it just as vigorously in business education. Emphasis must always be placed on the unity of the management process, and on the necessity of handling all the affairs of a business, departmental as well as general, with a view to the needs of the business as a unified enterprise.

To what extent a program of graduate study in business should find expression in traditional and more or less formal courses, to what extent in the setting of tasks to be performed by groups of students working together, to what extent in individual work under suitable direction, is a question that cannot be answered categorically. The best results are likely to be secured under a program organized along such flexible lines as will encourage the teacher at all times to develop methods of approach best adapted to the needs of the individual or group and to the subject matter to which study is being directed.

Subject matter is the vehicle by which the discipline of a graduate course in business is conveyed. In this connection, distinction must be made between discipline and information. Without accurate and pertinent information it is obviously impossible to develop discipline, but the subject matter of business is too vast from an informational standpoint to be covered in any

* A report by a committee appointed to summarize the views of the Stanford Conference on Business Education.

single program. Subject matter becomes, therefore, a question of wise selection and organization.

Graduate education for business should include in its subject matter adequate grounding in the fundamentals underlying business—such subjects as the history and evolution of business, principles of economics, principles of psychology, and the scientific background upon which a modern business is conducted.**

Naturally the course in large measure will have to do with the conduct of business enterprises, and this phase of the subject may be worked out around the basic principles of organization, management, and personnel. Form of organization, employment, the handling of men, relation of line and staff activities, planning, specialization, standardization, delegation of authority, co-ordination, supervision, control, and the application of the scientific method are some of the topics that will require thorough treatment.

On the basis of a central management viewpoint will be developed the subject matter having to do with the functional divisions of business—production, finance, control (accounting and statistics), distribution and marketing, including agricultural marketing, retailing and foreign trade.

Consideration will need to be given to certain activities which, though themselves business enterprises, are especially important because of the influence they exert on business in general. Under this caption are included such matters as agriculture, transportation, and public utilities. Finally the course must take account of the relations between government and business—taxation, public finance, and international relations.

Much of the business data for the course will naturally have to do with enterprises on the Pacific Coast. At the same time the School must be national in its outlook; enough of the subject matter must be drawn from the other sections or from enterprises of national scope so that students will always sense the national unity of business.

Clinical Experience

Means must be found of giving students "clinical experience"—a functioning contact with actual business. Some of the means of doing this from which choice can be made are (1) holding an acceptable job for a specified period before admission; (2) vacation jobs during the course; (3) experiments with undertakings that require joint work, planning and foremanship; (4) presentation of actual problems by business men who have or have had them to solve; (5) participation in the analysis and solution of problems presented by members of the faculty out of their own responsible contacts with

** In connection with undergraduate preparation, the School has rightly insisted that students should come to it with the ability to use correct and effective English. So far as is expedient, it should also avail itself of the opportunity offered by its position to suggest to prospective students the importance of securing, as undergraduates, an understanding of government, social institutions, economic geography and resources of the United States and of the World.

going business concerns. Under the supervision of the Dean to forestall obvious dangers, such contacts on the part of the faculty should be actively developed and encouraged.

Development of the Individual Student

In trying to prepare young people for business, a school can only expand the qualities which the individual already possesses. Much care and skill must therefore be devoted not only to selection from among the students who apply for admission to the school, but also to devising a program of study and adopting other appropriate means to attract the kind of students who have the mental calibre to profit most by the type of graduate training which it is the purpose of the school to give.

Since no two people have the same qualities of mind, education is at its best when it gives the largest scope to the development of individual personality. It should be the aim of the Graduate School of Business to give each student such discipline and opportunity as will best round out and enlarge his innate capacity along the lines in which he shows the greatest promise of achievement. In order that necessary stimulus may be given to such individual development, it is essential that the school should never become too large to permit intimate personal contact and guidance.

Selection of Faculty

Equally important with the selection and guidance of students is the selection of the faculty and the spirit of team play among its members. It goes without saying that teachers in such a school should know business, but they must also possess intellectual and moral qualities that will impress themselves on the students both in class and in individual contacts. If students are in close personal touch with such a faculty, they will naturally be stimulated to raise questions for discussion that will promote sound thinking and keen moral insight with respect to all the ethical and intellectual issues that business men, and those who work for business men, have to meet. The necessity for moral responsibility in business should permeate all the teaching and the contacts of students throughout the course.

Along with the habit of moral responsibility, the school should aim to stimulate intellectual curiosity and a will to study. It should develop in the student a habit of reading and of learning that will have in it the beginnings of a life-long and growing process of education.

In the organization and methods of instruction there should be a minimum of mechanics and regimentation, as little authoritative lecturing as possible and no dogmatizing. Students should be trained individually to dig out facts, to organize them and to present them in good form, both orally and in writing. They should be thoroughly disciplined in the habit of going

after all the pertinent and accessible facts of a situation before reaching conclusions or taking action.

At the same time capacity for decision and action on an established body of fact should be actively encouraged. To the greatest extent possible the burden of carrying on discussion and finding conclusions should be put on the students. But discussion should lead to some definite goal; there should always be clear distinction between mere talk and fruitful discussion with a view to responsible action upon an accurate basis of fact.

Place of Research

In order to make the above program effective, much individual and organized research in business will be required. But research is not a product that can be bought and delivered over the counter like so many yards of cloth. Research, to a large extent, is an attitude of mind—the attitude of finding out what it's all about before proceeding. From this standpoint much of the effective work done by faculty, by students, or by co-operating business men will be a contribution to research whether it results in more adequate knowledge or in better teaching. In all the plans for the School sufficient faculty time should be made available for research so that all the teachers will be continually getting a firmer and more comprehensive grasp on the subject in hand and thus keep the whole course alive and growing.

As a first step in organizing any special research activities, some study should be made of the kinds of research that are likely to be most fruitful and of the work done by other research agencies. This will obviate unnecessary duplication and waste, and will stimulate wholesome co-operation. It may ultimately prove useful to have some members of the faculty occupied primarily with research rather than with teaching. This may well be a matter of gradual evolution.

Research would be a most appropriate subject for a conference a year hence.

DAVID F. HOUSTON, *President, Bell Telephone Securities Company.*

HENRY S. DENNISON, *President, Dennison Manufacturing Company.*

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THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Results Under Scientific Management

Time study, plus standardized conditions, will pay in the small shop if there be a steady flow of work of a repetitive character and if supervised by competent people who get their basic information from records of the simplest nature, covering vital facts. The failures of scientific management have been not the fault of the methods but the result of outside causes, such as financial weakness, trade conditions of all kinds, changes of style, obsolescence of the product, faulty installation, unintelligent application, shortsighted trade union oppositions, and the unfitness of the particular business to absorb the system completely. By Milton C. Herrmann. *Manufacturing Industries*, August, 1926, p. 111:3.

Department Store Consolidations

With mail order ventures proving hazardous and over-building of stores upon their present sites bringing diminishing returns, department stores are turning to horizontal combinations to effect larger returns. These are buying, research or financial combinations. Some have gone on to the final step of complete consolidation with the benefits of financial and managerial centralization. Reports of the Associated Dry Goods Corporation, the May Department Stores, R. H. Macy and Company, Gimbel Brothers and the National Department Stores show the value of the greater

financial strength, combined buying, and comparison of managerial results which these mergers have secured. By Henry N. Wyzanski. *Harvard Business Review*, July, 1926, p. 459:12.

How the Expert Helps

Many instances are given showing the value of an analysis of business problems by an expert. As the employee problem and other problems have been solved by experts, so solutions will undoubtedly be worked out to the problems of competition that are ahead of us, based on the country's capacity to make more than the people can buy. Despite the enormous size of big business today, there is still room for the man who must start in a small way. By James H. Collins, *Business*, August, 1926, p. 7:4.

High Production, High Wages, and High Consumption Enable America to Lead

High production, high wages, and high consumption are the cardinal principles of American industry today. Outside observers seem to agree with us that we have built up an industrial organization which will produce a wider diffusion of contentment and prosperity than any other industrial system in use. The two factors largely responsible for this condition is that of high production, together with the co-operative spirit which exists between management and labor. By Lewis E. Pierson. *Trained Men*, Sept.-Oct., 1926, p. 99:4.

*A copy of any article abstracted may be obtained by sending to the office of the Association 25 cents per page which represents the cost of photostating.

FINANCIAL MANAGEMENT

The Receivership of an Industrial Corporation

Considerations of public policy have tended toward receiverships in equity rather than those in bankruptcy. If possible, the management arranges for a friendly receivership to prevent disruption of the company. In some states the receiver is the owner in trust of all the assets and takes the place of stockholders and of the corporation itself. In the federal courts he becomes not the owner but the one in full control. He fulfills a duty to all parties, public, stock and bondholders, and creditors to save the property if possible.

A general creditor's suit brings all the company's assets into the hands of the court. The trustee of a mortgage could secure a receiver for only that part of the property covered by his mortgage. The court draws to itself all suits with respect to the property. The lien enjoyed by receiver's certificates for the further operations of the company can be varied but is finally whatever the receiver deems proper and the court endorses. By Frederic Drew Bond. *Barron's*, August 2, 1926, p. 5:1.

The Receivership of an Industrial Corporation

When a corporation goes into a receivership the position of the stockholders at once changes factually. It is not possible for a reorganization committee to come to an agreement with stockholders unless the unsecured creditors be included. Interventions by stockholders to become parties to the action will be denied on the ground that they are already represented.

Reorganizers would seem to have the legal power to exclude both unsecured creditors and stockholders from the plan of reorganization, and after the plan has been set forth, to tender to such former and present stockholders of the old company, as they see fit, as a part of the

public, admission to become purchasers of the new stock on what they deem proper terms. *Barron's*, August 9, 1926, p. 8:1.

Why a Separate Corporation Is Best for Bond Sales

A bank with a separate subsidiary to handle its investment business avoids certain legal restrictions. The loan limit, which for the bank prevents the purchase of a large block of even the highest grade bonds, does not operate against the separate corporation, which has no deposit liabilities. Simplification of records, unification of control, concentration of effort and purpose, and the generation of corporate enthusiasm all argue for separation. The bank, through its control of policy, is assured that nothing will be done to discredit the parent organization. Different securities can be handled and wider distribution obtained, impossible under the prohibition of branch banking by national banks. By Sam N. Foster. *Bankers' Monthly*, August, 1926, p. 21:1.

Where Should Be the Final Risk in Instalment Selling?

One pitfall in instalment selling is the development of "non-recourse" paper, which the dealer does not guarantee. When the endorsement is not given, the finance company makes a higher charge. Some companies that require the dealer's endorsement and yet desire to protect him add an extra charge to be collected from the purchaser of the car. When borrowing extensively from banks, finance companies deposit dealers' notes with a trustee and issue notes under a trust indenture. Collateral is maintained ranging from a 25 per cent margin to none at all. Because they are finance companies holding no dead merchandise or unsalable plant, but only receivables liquidating month by month which allow the security to be

repossessed at no worse than a small loss, these concerns will probably ride out financial storms as well as most other businesses. Arthur W. Newton. *System*, July, 1926, p. 54:3.

Investment of Surplus Funds
 The problem of the investment of surplus funds above those needed for the current conduct of a business frequently arises. There are usually a variety of ways in which such funds may be invested, but the problem of choosing the best of them puzzles many a treasurer. Two cases are studied in which consideration is given to the factors of inventory depreciation, cash reserve, reduction of bank loans, peak requirements, availability of surplus invested, permanent investment, and taxes. *Harvard Business Review*, July, 1926, p. 488:7.

The General Creditors and Bondholders During a Receivership

Were it not legally imperative to settle with general creditors when stockholders, as such, are to be admitted to the reorganization, the banking loans obtained by corporations hovering on the verge of a receivership would be unobtainable. No bank would incur the risk of having its debt wiped out by the reorganizers, unless it, itself, conducted the reorganization or received friendly extra-legal treatment.

After the initiation of a receivership, committees appear for the bonds on which default in interest payment is first made. The committee probably asks for the deposit of bonds at once. The committee aids the trustee during the foreclosure and protects the bondholders' interests during the reorganization. If the foreclosure includes two classes of bonds, the control passes to the senior, and the interests of the junior issue are thereby jeopardized. Both committees of bondholders must jealously watch the issue of receiver's certificates which are a lien prior to their own. Bondholders whose interest is not defaulted can stand away

from the reorganization and no debt can be put ahead of their own. Bondholders depositing their bonds and accepting certificates of deposit become definitely parties to the terms of the deposit of agreement. Ordinarily this is a sale of trust. The agreement provides for the effective operation of the committee and fixes a maximum sum per bond which may be demanded for the conduct of its work. It should be drawn so as to give the committee untrammeled powers to protect the interests of the depositing bondholders. No committee should act for more than one class of bondholders. Nor is it proper for the trustee of the mortgage to be on the committee and still less for the receiver to be a member. The agreement should state explicitly that the individual members and the committee as a whole may buy of the depositors either the original bonds or the certificates of deposit. By Frederic Drew Bond. *Barron's*, August 16, 1926, p. 15:1.

What Happens at Stockholders' Meetings

Voluntary recapitalization is taken up in this number of the series. The reasons for recapitalization, its machinery, the usual reaction and attitude of the stockholders, bondholders and public, are described in general and in specific terms through the example of the three readjustments of the Westinghouse and other outstanding cases. By Frederic Drew Bond. *Barron's*, July 26, 1926, p. 5:2.

Instalment Selling and Future Buying

Instalment selling cannot permanently increase prosperity. The chief error of those who claim it can lurks in their assumption that if consumers go into debt for three billion dollars in order to acquire commodities, industry will necessarily pay them an additional three billion dollars as wages, dividends, and the rest, wherewith the debts can be paid.

The process is supposed to be self-sustaining—automatically so. It is not. The financing of increased production does not automatically induce a flow of money into consumers' pockets which is equal to the flow of goods into consumers' markets. Hence the stimulus to business of a given gain in production, brought about by a given gain in instalment sales, is not lasting. The authors have reduced theory to fact in a comprehensive presentation of this current question. By William T. Foster and Waddill Catchings. *Nation's Business*, August, 1926, p. 47:4.

Financial Budgeting in a Department Store

A test period in the preparation and operation of a financial budget in a department store is used for analysis and criticism. The details are interesting to the student of this branch of budgeting. By George Bates. *Harvard Business Review*, July, 1926, p. 471:9.

Distribution of Burden

Control of indirect materials is secured by a special series of order numbers whose monthly total is added to overhead expense for distribution to cost of production. Time tickets posted to the cost sheets prove the total labor charge for the month. A "Work in Progress" ac-

count controls material and labor charges in production. Factory orders include productive orders covering product manufactured for stock or sale, and non-productive orders, covering construction, installation of equipment, manufacture of tools, etc. The Cost Sheet is a ledger for posting the details of the Work in Progress account.

Burden, or overhead, is divisible into three parts:

Indirect material

Indirect labor

Fixed and miscellaneous charges.

The plant is divided into productive and non-productive departments and overhead expenses distributed to them by classifying expense accounts as to whether they are administrative or manufacturing.

Four methods of charging the job, order, or article with its proper cost of overhead may be followed:

Prime Cost Method.

Productive Labor Cost Method.

Productive Labor Hours Method.

Machine Rate Method.

There are other methods but conditions in the plant itself must determine whether one or a combination of methods will be used. Regardless of fine theory, practical considerations must always govern. By Grant L. Bell. *N. A. C. A. Bulletin*, August 1, 1926, p. 852:12.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Service Ratings for Employees in Public Utility Industries

The use of rating plans in two public utility organizations is discussed—one a gas company, and the other a city railway. The purpose of the plans is to give the supervisor an opportunity to inventory the ability, work, and qualifications of the employees under his supervision and to appraise their value to the organiza-

tion. These plans are illustrated in three figures. By Warren G. Bailey. *Public Personnel Studies*, August, 1926, p. 226:6.

Office Management as a Profession

Office management is yet a long way from being established as a profession. There are two outstanding, existent facts that militate against office management at present being dignified with the appellation of a recognized, established profession.

The main duties of the office manager are as follows:

1. The office manager must organize the work exactly as a production manager would organize his forces to produce a commodity.
2. It is his job to eliminate waste wherever he finds it.
3. He must have his office under a system of modern production control.
4. The office manager must devise methods requiring a minimum of effort.
5. He must properly train his force of clerks.
6. He must know what constitutes a day's work for a clerk on any one of a hundred different jobs.
7. He must get a day's work from each clerk in his office. By Wm. H. Leffingwell. Paper presented before National Association of Office Managers, 27 pages.

Work Control—Wage Incentives

The "class of work" basis makes it possible to measure clerk production, so that standards may be set and comparisons made periodically. Its advantages over "job" organizations are:

- Lower cost
- More accurate work finished on time
- Less turn-over
- Better satisfied help
- Simplicity of measurement

Everybody in the office records the amount of time spent on each class of work and every job done. By this system the office manager can compare output of

individuals, record work unfinished, equalize work evenly over the month, and determine the progress of departments and individuals. When mental work consumes much of the time, departmental efficiency must be the basis of comparisons. Studying clerical efficiency will also produce records of equipment efficiency and be a guide to its purchase. The measurement of production will supply needed records for wage raises. The average worker will have an incentive in that if she produces more, she will be paid accordingly. The poor worker will retire.

There is increasing need for evaluation of office management because of:

- The increasing use of class of work methods
- The narrowing margin of profit
- The rapid development of machine methods

Desirability of progressive judgment.

By William F. Sims. *Quarterly Bulletin, National Association of Office Managers*, August, 1926, p. 4:6.

Concentration Test

The Carborundum Company devotes the first hour and a half in the morning to a "concentration period" in which department heads can concentrate on their own work without interruptions. This also permits control over employees during the period of the day when the most confusion is likely to exist. *Quarterly Bulletin, National Association of Office Managers*, August, 1926, p. 12:1.

Training and Education: Schools, Libraries, Employee Publications

The Continuation School

A branch of the New York City continuation schools will soon be opened in the New York Times building. It is felt that the connection between the class room work and the students' duties in the various departments of the Times will be very stimulating. *The Little Times*, August 1, 1926.

Harvard and the "Case" Method

An interesting description is given of how business is taught at the Harvard Graduate School of Business Administration. Harvard's new plant has been made possible by a five-million dollar gift from George F. Baker. A striking fact about the school is that none of its

administrators holds a doctor's degree. It is of fundamental importance to train business students for practical business, and if the experts in the various fields are men without any degree, then these

undegreed men are the best men in the world to train others for practical business in their respective lines. By Vergil V. Phelps. *Business*, August, 1926, p. 17:5.

Records: Forms, Charts, Cards, Files, Statistics

Any Paper Filed Is Found

The Westinghouse Electric and Manufacturing Company decided that there must be a central file for papers instead of each department filing its own papers. They reorganized their files in this manner and in this order: classified all records and fixed storage places; fixed time limits on keeping of records; decided upon markings; decided upon equipment; instructed staff; carefully listed papers on hand.

This plan is a success, and allows for more papers in much less space; all information on any one subject is now in one or more covers in one place. By

W. E. Hill. *System* (London), August, 1926, p. 66:2.

Original Sources of Statistics for Market Analysis

Few analyses which function for specified commodities are satisfactory when they are applied to other uses. It is necessary to learn by experimentation what statistics are most accurately indicative for each product and to get those statistics from original sources. This bulletin describes a number of sources and tells how to obtain material from them. By Lawrence A. Adams. *Bulletin of the Kardex Institute*, June 30, 1926, 4 pp.

PRODUCTION MANAGEMENT

General: Promotion, Organization, Policy, Development

Closer Control of Quality and Costs Through Foremen

A concern that has started or taken over 17 plants in 22 years has had many opportunities to tune them up to greater productiveness and economy. "Control" has been the keynote of its policy. The foremen have an important part, the company having defined seven management duties for its foremen: 1, effect cost reductions; 2, use minimum of stores; 3, adhere to material formulae; 4, maintain check on material quantities; 5, make daily man-hour and production report; 6, maintain physical orderliness in material stores; 7, study the quantitative and financial facts of their departments. By George Marion Brown. *Factory*, July, 1926, p. 37:9.

Shall We Save On Labor, Materials or General Expenses?

More progress will be made in the successful operation of manufacturing industries if less recourse is had to wage cuts and more to effective means of utilizing labor, eliminating preventable wastes of materials, and reducing supervisory expenses. The manufacturer who relies upon the wage cut usually covers up his own managerial shortcomings by the process. The real "go-getter" holds his working force loyally in line by reducing wages only when this method is positively the last resort. He can keep his profits rolling in far more surely by stopping the leaks in materials, quality of products and general expenses. By N. F. Lahr. *Manufacturing Industries*, August, 1926, p. 113:2.

Plant: Location, Lighting, Heating, Ventilation

What Happened in the Plant Last Night?

It has been proved that the human weakness of watchmen is the outstanding cause of losses not detected in time, of fires not reported in time. As there is no one to watch the watchman he must be made to report automatically his moves. There are several systems that do this, but the best one seems to be the portable watch clock system, which the watchman carries slung over his shoulders.

A school for training watchmen in their work has been started, which will release men especially trained and fitted for this service.

Industrial Economics: Labor and Immigration

American Bar Association Recommends Voluntary Arbitration of Labor Disputes

The Committee of the Bar Association on Commerce, Trade, and Commercial Law has recommended that a relationship between unions and employers' associations based upon contracts voluntarily made is in the public interest. The law should sanction and enforce contracts for the settlement of labor disputes. Fact-finding bodies are necessary in the solution of economic problems and their personnel should be selected by the parties interested. The parties should be permitted to make contracts to adjust their controversies in their own way when such agreements are not against public policy. *Law and Labor*, July, 1926, p. 189:2.

A Statistical Relation Between Unemployment and Price Changes

The noted author explains the statistics which indicate that changes in the price level foreshadow changes in employment. Other factors may enter also, but the economic analysis used herein indicates a causal relationship between infla-

The combination of a fence, a flood-lighted yard, and a watchman with a clock will keep the plant as safe as it is possible to be. *Industrial Power*, August, 1926, p. 28:3.

The Money Value of Good Lighting

A production increase of twelve and one-half per cent, due to lighting improvements costing but two and one-tenth per cent of the payroll, is one case mentioned showing the advantages of better lighting. Twenty-five to fifty per cent reduction in spoilage and error and fifty per cent fewer accidents are cited as other advantages. By F. H. Bernhard. *Industrial Power*, August, 1926, p. 33:5.

Capital, Legislation, Wage Theory,

tion and employment and deflation and unemployment. Apparently, we have here a key to the major fluctuations of employment. If this conclusion be sound, we have as a means of substantially preventing unemployment, the stabilization of the purchasing power of the dollar. By Professor Irving Fisher. *International Labour Review*, June, 1926, p. 784:8.

Overproduction and Underconsumption: A Remedy

A new analysis of the basic reason for the shortage of markets from which the industrial world suffers at intervals is here put forward, and a remedy is presented based on this analysis. It is claimed that markets can be made permanently adequate, and that it is possible for them to keep pace with productive capacity. Non-technical accounts are given of the cause and remedy of the shortage of buying power, the ways in which buying power can be reinforced, and the provision of adequate markets and stabilization. By P. W. Martin. *International Labour Review*, July, 1926, p. 37:18.

Standardized Retail Prices

Litigation over control of resale prices by the manufacturer has shown a strong group of arguments for and against the practice. No manufacturers have had their markets destroyed by price-cutting though they have been harmed by the practice. The trend of decisions, however, is against them. The difficulties of framing price-maintenance legislation which would be fair to manufacturer and retailer seem to be insurmountable. It

would be best to prevent predatory price-cutting by putting the matter in the hands of the courts and the Federal Trade Commission. The arguments for both sides on the main contested points are illuminating and comprehensive. One new point is presented, that price-cutting tends to throw emphasis on the price, whereas the manufacturer may prefer to cater primarily to other buying motives than economy in purchase. By Melvin T. Copeland. *Harvard Business Review*, July, 1926, p. 393:14.

Employment: Classification, Selection, Tests, Turnover

Some Experiments in Vocational Psychophysiology

Contemporary industry is devoting increasing importance to the psychic factor in labour. This article is confined to a description of the main lines of a possible plan of study, classifying the problems of industrial work according to whether their solution is determined by general psychology, individual psychology, or the two conjointly. The questions are considered as to how a certain kind of work can be adapted to a man in such a way as not to run counter to his psychophysical constitution. Or on the other hand, it is asked how a man can be adapted to a given task, due care being taken to ensure that this adaptation is in keeping with his psychophysical state, in order that he may be able to give the maximum output with the minimum effort.

A number of experiments are described which appear typical of the possibilities in these various domains. By Dr. Leon Walther. *International Labour Review*, July, 1926, p. 55:17.

Budgeting Labor Requirements

With a dependable sales forecast, production can be balanced against inventory so as to eliminate wide labor-force fluctuations. The Walworth Company periodically translates departmental production quotas into man-hour requirements. To departmental tonnage figures are applied the proper coefficients representing the ratio of men to output. Different means are used with the present force to smooth out peaks and valleys in labor requirements before resorting to lay-offs or increases. The resulting stability of employment wins the employee to a greater degree of consideration for the troubles and desires of the company. This procedure is contrasted with that of the Lauralton Company which has not adopted a sales forecast nor labor budget owing to peculiarities of its production operations and labor requirements. Labor stability with its reduction of the fear of shutdowns, should go far to increase productivity of the individual workman. *Harvard Business Review*, July, 1926, p. 480:9.

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores

Bryant & May's Welfare Work

In Bryant and May's Diamond Works of Liverpool the value of personality is realized. The welfare work done by this

company is discussed under the headings of meals, medical arrangements, dental clinics, laundry and cloak rooms, social club for girls, men's clubs, sports, long

service medals, works committees, non-contributory life insurance, staff pension fund, savings bank, tontine societies, insurance on marriage, housing, and unemployment relief. *Industrial Welfare*, July, 1926, p. 222:6.

Service Department Simplifies Operation

The present article continues the story of the Service Department of Johnson and Johnson presented in the July number of this magazine. Employee relations and plant maintenance are successfully combined in the department. Though many intangible factors are involved in service activities, the advantages brought about by direct control over the work and by keeping accurate costs on it, indicate

a gain of 15 per cent more work with the same force than before the establishment of the department. By George E. Hagemann. *Manufacturing Industries*, August, 1926, p. 107:4.

How As Well As What

A discussion of the opportunities of the Railway Employees' Department. The most important aims and purposes of the organized railroad workers may be classified under these headings: 1, Securing and stabilizing employment. 2, Education. 3, Organization. 4, Working conditions. 5, Wage income. Some examples with brief suggestions are cited on each of these points. By Otto S. Beyer, Jr. *American Federationist*, August, 1926, p. 938:9.

Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

Industry's "Key-Men" Broaden Their Outlook

A description of the origin and growth of the Ohio Federation of Foremen's Clubs whose objects are: The improvement of its members as industrial executives; the encouragement of social intercourse among them; and the advancement of shop management. The opportunity for leadership which is in the foreman's hands can be enlarged into an active execution which will react to the betterment of the entire organization. Those who are interested in the extension of the Foremen's Club activities feel that a great deal of genuine good can be done to individuals as well as to industry generally by the development of a National Association of Foremen. By Thomas B. Fordham. *Industrial Management*, June, 1926, p. 339:3.

Economics for Employees

Men are square and the vast majority of workers want to do the right thing. It is the responsibility of management to devise plans whereby employees can

secure a clear and simple explanation of the problems of business as they relate to financing, production and marketing. Teaching must begin with the worker's point of view to gain his confidence. Noon-hour mass meetings, shop bulletins, employee magazines and the newspapers are appropriate media for instruction. Those phases of economics which are directly applicable to the worker and his job and to his daily life should be presented in simple, direct English, and made as personal as the occasion permits. Lectures, if graphic, will aid. Group discussions and foreman aid prove most satisfactory. *Law and Labor*, August, 1926, p. 227:3.

The Foreman's Job from the Viewpoint of the Workman

In spite of an open door policy on the part of management, the foreman is too often "the boss" to the workman. He can gain respect when he thinks of his company and his men and meets the demands of his job. The company

should cooperate with him. There is no possibility of solving the question of foremanship except as the problem of leadership at the top is solved. Tell the worker what he is really working for and why. He wants status. Every man wants to think better of himself for his day's work. By Whiting Williams. *Foremen's Magazine*, July, 1926, p. 8:3.

Why Our Foremen Develop Into Real Leaders

Johns-Manville, Incorporated, decided upon the conference plan as the best means of developing their foremen. Two types of conferences were adopted; one conference being held every week in the

plant manager's office, attended by the building superintendents, the office manager, and the maintenance engineer, for the purpose of discussing methods of foremanship training. The second type of conference is also held weekly, and consists of a meeting of the building superintendent with his department heads and their foremen. These meetings are made short and snappy.

The company insists that every foreman shall develop an understudy who can take his place, a plan which can be worked out only by developing the confidence of the foremen in the plant management. By W. R. Seigle, as told to Francis A. Westbrook. *Factory*, August, 1926, p. 220:5.

Benefit Systems and Incentives: Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

Armour's Wage Plan Gives Employees \$500,000 in Year

Five hundred thousand dollars over and above regular wages were paid last year to plant employees of Armour and Company as an incentive to "better-than-average work." The plan combines the two basic methods of wage payment, hourly work and piece work. The same basic hourly rate according to skill is allowed and an extra earning or bonus for work done in excess of the standard is provided for. Thus while the better-than-average worker is rewarded, those who are below average are not penalized. *Industrial Relations: Bloomfield's Labor Digest*, August 7, 1926.

Employees Own 99 Per Cent of This \$2,000,000 Business

In the Leighton Industries, Incorporated, there are 1400 co-workers that own 99 per cent of the business and receive 99 per cent of its profits. This organization profitably conducts eight different lines of business. Only employees of the corporation are allowed to own stock, and when they leave the employ of the com-

pany, the stock is bought back at the price at which it was issued to them, that is, one dollar per share.

By means of bulletin boards and frequent get-together meetings, the employees are kept informed as to all the inner workings of the business, and they have access to the bookkeeper's records, thus guarding against suspicion. Based on an interview by Kingsley Gray with John H. Leighton. *Management*, July, 1926, p. 27:5.

Summer Business Practices

The Merchants' Association of New York has made a short report on changes in hours of work during the summer months, disclosing the fact that many concerns operate on shorter schedules, at this time. In most cases the reduction in hours occurs in connection with Saturday schedules, but some concerns report earlier closing Monday to Friday. Fifty-eight out of the 293 concerns report their establishments closed all day Saturday, and 42 others report that their establishments are closed from half an hour to six hours earlier on Saturday. July 15, 1926.

Dividing Profits

The Andersen Lumber Company emphasizes the value of savings in its profit sharing plan. Every employee who has been with the company three months is eligible for a bonus. Every man who saves or invests his share of the profits is given in addition five per cent of the amount he has saved. Shares are paid every six months and interest is compounded. He may put it in a savings bank, paying 4 per cent, or buy preferred stock in the company's employee home building organization, or apply it on the cost of a home. In the latter case the company helps him with his financing and gives him an insurance policy for the amount he saves. By C. M. Harrison. *Printers' Ink Monthly*, August, 1926, p. 66:1.

Vacations With Pay for Production Workers

This is a digest of the vacation policies of 111 factories and stores in Cincinnati. One week was the favorite vacation period, though one-third of the factories used a graduated scale. The majority required a minimum of one year of service, though in the whole list this minimum ranged from one week to ten years. The employee is usually paid before his vacation, but in some instances the vacation money is given afterwards to insure the employee's return. Holidays coming within the vacation period are considered as extra vacation days by most concerns who have any settled policy on this point. An interesting fact brought out was that one plant had given vacations

for 66 years. Others began from 49 to 10 years ago, but on the whole the practice has received its more universal adoption only in the last few years. The few that give vacations to piece workers pay on the basis of some average, hourly or weekly, or settle on a flat sum. *Industrial Relations: Bloomfield's Labor Digest*, July 26, 1926, p. 3527:2.

Southern Pacific Gives Tips on Thrift

Efforts are made by the Southern Pacific Railroad to find practical money saving uses for every article which otherwise would be thrown away. For instance, old typewriter ribbon containers are used as desk pin containers in place of glass bowls. Typewriter oil is purchased in bulk and bottled in the store-room. Scrap paper is sold and produces a revenue of over \$1,000 yearly, and bottles for mucilage and oil are salvaged from the commissary department. *Pacific Factory*, July, 1926, p. 28:1.

Successful Wage Payment Plans

The objectives of any wage plan should be low costs, high wages and increased production. Here are grouped the leading details of many schemes to adopt or adapt—time wage, straight piece-work, guaranteed day wage, gang piece-work, premium plans, incentives for co-operation, individual bonus, group bonus, and the contract system. They are drawn from examples among leading concerns favorably known for progressive management. By A. G. Anderson. *Manufacturing Industries*, July, 1926, p. 31:6.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

Labor and Production

A brief survey of the reasons why labor has but recently put itself on official record in favor of increased production. Probably the fear of unemployment is the principal cause of restrictions by labor. Another reason for labor's atti-

tude is its feeling that any increased effort on its part may bring increased profit to the employer but no adequate recompense to the worker himself.

In order to determine as near as possible a just wage, industrial engineers should have charge of determining the

following factors: 1. The amount of work which may reasonably be expected from a worker within a given period; 2. the rate per hour, per day, or per week, if the work requires time payment; 3. the rate per piece where that method is the best; 4. the increase in remuneration which is due to the workers for improvements in methods and productivity for which they are responsible. By Edward Berman. *American Federationist*, August, 1926, p. 964:6.

Three Plans That Made for Better Industrial Relations

It has taken the Rollins Hosiery Mills twenty years to convince the working population of Des Moines that it was just as desirable to work in their factory as to do office work elsewhere. This change of attitude has been brought about principally by these three plans: 1. Whereby the employee can draw a weekly benefit when ill; 2. whereby the heirs are protected in case of the employee's death; and 3. whereby the employee can own shares in the credit union and borrow

money from it for productive or provident purposes. Several practical examples are cited, showing the worth of these plans. By H. T. Rollins. *Industrial Power*, July, 1926, p. 36:3.

Plans for Industrial Relations Work in Small Plants

Four plans are suggested for the conduct of personnel work in plants employing 1000 or less workers: delegating the responsibility to an executive who gives a definite part of his time in this direction; the use of employment foremen, who combine industrial relations work with routine duties; the establishment of a co-operative personnel department, conducted by a group of firms in the same neighborhood; the establishment of a co-operative association of small plants which will intensify the direct services of a trade association along personnel lines, largely by educating executives in the cooperating plants in the latest developments in the industrial relations field. By Roy W. Kelly. *Manufacturing Industries*, August, 1926, p. 132:1.

Shop Organization: Planning, Methods, Job Analysis, Standardization, Waste

Packard Cuts Inventory in Quarter at Same Time Tripling Car Output

Packard has decreased its inventory from \$12,000,000 to \$3,000,000 and at the same time increased its output from 50 to 150 cars per day. This has come about from production control through material supervision. Each of the 1600 parts in a car were reduced to drawings and specification sheets, showing all operations from the beginning to the final stage. The time element also was added. Eighteen weeks are required from the time the sales department requests the car until its delivery from the shop. Purchases are made only on the sales department's monthly report of cars needed 18 weeks hence. Graphical records show purchase orders placed and corresponding deliveries, and the status of the work

throughout the plant. Department heads readily determine whether they are up to schedule. "Economic lots" have been determined for parts more economically produced in larger quantities than warranted on the current basis of sales, but nothing is made beyond the demands of the sales department or the "economic lots." The purchasing department is limited to 24 persons, two of whom keep up the charts for the guidance of executives. By Alvan Macauley. *Manufacturing Industries*, August, 1926, p. 89:6.

Production Control of Statistical Work

The Control Department of the Consolidation Coal Company took an engineering viewpoint when it began the preparation of control statistics of its company's widespread operations. Specifi-

cations were drawn up for the forms, and sales, operating and financial data was treated as raw material, and submitted to statistical processes. Production routine and job schedules facilitate the work. The whole list of operations is visualized on a production control board. By J. K. Gillies. *Manufacturing Industries*, July, 1926, p. 21:4.

Tracing That Average 28 Per Cent Loss

Where do possible profits go? This question is answered in two ways. First, common wastes and losses are pointed out and the methods for overcoming them. Secondly, savings made in typical cases are outlined. Secretary Hoover's "Waste in Industry" is the basic text.

Elements in true organization development and management are given with examples that reveal the important human side as the chief factor. By C. U. Carpenter. *Manufacturing Industries*, August, 1926, p. 101:6.

Cadillac Keeps Strict Watch on Quality

This article is a description of the methods and equipment used to maintain high standards in the production of Cadillac automobiles. It covers the inspection of the quality of raw materials, stores and castings, and also the tests of the quality of workmanship, describing them in considerable detail. By Lawrence P. Fisher. *Manufacturing Industries*, June, 1926, p. 409:4. Concluded in July, 1926, p. 13:4.

Production Records: Time Cards, Performance Records

Master Schedule Guides Production

The method of wage payment of the Continental Motors Corporation is considered to be the controlling factor in the system used in the routing of material and shop scheduling. The gang bonus system is in effect throughout the plant, so that it is only necessary to keep

track of the number of pieces passing the last operation in the gang, which is the point of payment for all operations or men in the gang. This system effects a saving of \$50,000 a year in record work in the planning department. By E. L. Sheehy. *Management*, August, 1926, p. 44:4.

BUYING, RECEIVING, STORING, SHIPPING

Some Notes on Marketing Functions

The marketing functions are regarded as: buying (including assembling), storing, risk-bearing, financing, standardizing and grading, selling, transporting, packing (as distinguished from packaging), and dividing. Definitions of these terms are discussed. They are the definitions, sometimes conflicting, of several authorities who are interested in the exact terminology of the services, acts and operations included with the marketing functions. By Paul D. Converse, *Journal of Political Economy*, June, 1926, p. 377:6.

Wanted, a Pasteur for Traffic

Retail business in the United States today is suffering from a bad attack of the "parking blues." The traffic that now gives life to business is becoming so heavy that it threatens to kill. Very often the "parking blues" frustrate a good-sized sale. A table of figures is shown giving the average shopping time in cities of varying population based on replies from merchants. Some merchants provide free garage space, contingent in some cases on a purchase by the shopper. By Charles E. Duffie. *Business*, August, 1926, p. 12:3.

SALES MANAGEMENT

Helping Sales Distribution Through Warehousing

The buying public has been educated to expect instant delivery of all ordinary commodities. Branch factories aiming to turn out a full line of goods are in direct contradiction to quantity production. The rise in warehousing at distribution points has been the answer. The sales agency is not fitted temperamentally to run a warehouse. Details and routine are monotonous to the selling type. Marketing is best served by stocks at more places than the sales agency locations. A public warehouse relieves the sales agency staff of all bother, allows a wider range of storage locations, offers an elasticity which fits seasonal needs and sales, and conforms costs to the same units that figure in manufacturing and selling. By H. A. Haring. *Kardex Institute*, August 6, 1926.

How the Federal Trade Commission Frowns on "Free Deals"

Selling below cost, combination sales, free deals, long term or large quantity contracts, advertising allowances and rebates have all had results and ramifications which have attracted suits before the Commission. It is advisable from a legal viewpoint to consider sales practices in their relations with all other business practices as a whole, and not as standing alone. It is the circumstances surrounding the practice that swing the scale between legality and illegality. It is not possible to isolate a single practice and plead that its results are harmless. By Gilbert Montague. *Sales Management*, August 7, 1926, p. 199:3.

Field Research on Sales Problems

Every alert sales executive spends several weeks a year on sales research in the field. There are four types of such investigation: Dealer methods, consumer attitude, salesmen's difficulties, and local conditions.

The foundation of the study can be laid

in the office. The field work has been conducted in some cases by making a cross-section study of a typical territory. Dealer selling problems cover use of effective displays, dealer advertising, prospect lists, use of deferred payment methods, and personal sales visits on dealers' prospects. The first result was a check on the manufacturer's merchandising plans and ideas. Consumer attitude is secured through "spot checking" a typical group of ultimate users through personal interviews. Important results in sales methods, service and in the nature of products frequently follow. Traveling with his men gives the sales executive his best insight into their difficulties. Statistics will in many cases reveal the reason for local conditions—population, wealth, buying habits, climate and transportation. Research is the first step in an analysis of the whole sales problem. The others are planning—devising proper solutions, and training—the practical application of the plans developed. By Henry B. Northup. *Printers' Ink Monthly*, July, 1926, p. 56:3.

Facts—The Foundation of Dealer Success

By combining the three phases of budgeting—purchases, sales and expenses—into a single statement, the dealer is able to get a complete picture of his business. A practical and simple budget can be worked out by using a three months' period at a time and comparing it with similar months the year before. As an example, a budget for the average dealer is followed through. By A. M. Burroughs. *Universal Dealer*, August, 1926, p. 11:3.

Get Everybody Interested in Sales

Tying in the general factory superintendent, the chief engineer, the expert moulder, everyone, with the sales problems on which they have the final expert knowledge, produces a product that fits

the market more exactly, builds a keener sales force and organizes a more comprehensive advertising campaign. George C. Miller, *System*, July, 1926, p. 29:5.

The Correct Distribution of Stock

Advice is given as to methods of facilitating stocktaking and stock control. Lay-out suggestions are given, and also methods for storing the stock; record keeping of the stock; and the recording of sales. By Russel B. Hobson, *Business Organization and Management*, August 1926, p. 253:3.

When an Industry Hires a Sales Manager

The "industry sales manager" is a term new to American business. The marketing pioneering needed in many industries has made cooperative measures advisable. In the paint business, before the Save-the-

Surface campaign, several companies devoted 75% of their selling and advertising efforts to promoting paint in general. Now the separate companies are free to push their own propositions. Competition between industries rather than between plants has brought about combinations. Many early industry advertising campaigns were nothing but advertising. Now the method is the steady selling of the cooperating industries as a whole, with a sales manager with practical experience heading the movement. A typical program for an association is: standardization to eliminate waste in production and to promote the most efficient use of the product, research to develop new uses and new markets, and the creation of a public consciousness of the advantage of the product. By Charles F. Abbott. *Sales Management*, August 7, 1926, p. 183:5.

Sales Promotion: Letters, House Organs, Advertising

When the Salesman Turns Letter Writer

It is an unusual salesman who does not attempt to write trade letters himself at times, although the home office is better equipped to do this sort of thing. It is a good rule to insist that every salesman get a copy of every letter going into his territory, whether it be a sales letter, letter of complaint, collection letter or an acknowledgment. These will serve to show him how business letters must be written to retain good-will, secure orders and collections. The Barrett-Cravens Company also provide their salesmen with a letter book containing many numbered paragraphs which can be incorporated in letters, enabling the salesmen to eliminate stilted phrases.

Carbon copies of all letters written by salesmen of this company to the trade must be mailed to the home office.

The advice is given not to try to discourage the letter writing habit. It can't be done anyway because if a man wants

to write letters he will do so in spite of everything. By E. J. Heimer. *Printers' Ink*, August 19, 1926, p. 49:3.

These Sales Records Pick Up Extra Business

The De Long Hook and Eye Company has designed a compact sales card which gives a detailed record of each customer's activities. The card measures five by eight inches, and on one side spaces are provided for the customer's name and address, his rating, the name of the notion buyer, and the dates the salesman calls upon him. On the other side, provision is made for a record of the customer's purchases.

On the Sales Department Work Sheet is recorded any particular characteristic a buyer may have or any special information about him. Then, too, the salesmen are required to send in a Business Record every day, of the same size as the Work Sheets.

These sales cards and reports enable

the sales manager to keep in close touch with the work of his department, and save many dollars by reducing the work of record keeping to a minimum. By Charles A. Emley. *Printers' Ink*, August 19, 1926, p. 17:4.

How People Walk Into and Through Stores

A recent retail study of sidewalk and store traffic reveals facts that store executives should study carefully. Important effects are secured by the arrangement of entrances, use of equipment, location of displays, use of various parts of the store, and by devices to influence the direction of store traffic. This investigation covered a large number of retailers in all parts of the country and represents the best in contemporary experience. By Walter A. Bowe. *Printers' Ink*, July 1, 1926, p. 33:3.

Boosting with Brains

On the richest street in the world is to be found the quietest boosters' club in America, and this is of course, the Fifth Avenue Association. Captain Pedrick, its vice-president and general manager, thus catalogues some of the activities that might reasonably be supposed to help any street or any town: Becoming a Great White Way is about the last thing the Avenue desires. A successful campaign is waged against disfiguring advertising signs. Architectural betterment is encour-

aged by awarding gold and silver medals each year for the building that is selected as the best erected during the year. Possible improvements of traffic conditions are constantly being studied. Every defect in the sidewalk and roadway is reported to the commissioner of public works.

On Fifth Avenue the ideal building is one tall enough to support high ground rent charges without groaning, and yet not high enough to gorge sidewalks with humanity to the exclusion of the visiting shopper. By Earl Reeves. *Business*, August, 1926, p. 10:3.

How We Found and Marketed Off-Season Products

Careful research and advertising are the two factors which have helped most to stabilize the business of the Gorton-Pew Fisheries Company. Their general method of procedure is thus summed up:

1. Digging for supplementary products which will meet some of the off-season needs either present or potential of regular customers.
2. Making a special sales and advertising effort in the most logically productive territory.
3. Holding out worth-while inducements to the sales force, so that after hard digging has indicated the right product, the men will go out and sell it in off-seasons with real enthusiasm. By Thomas J. Grace. *Printers' Ink*, July 22, 1926, p. 3:6.

Salesmen: Selection, Training, Compensation

High School and Store Co-operate in Training

The William Block Company Store and the trustees of the Shortridge High School of Indianapolis conduct an exchange of service that works greatly to the advantage of both. It has to do with the teaching of salesmanship in the Block store by Shortridge teachers and an employment by the store of Shortridge

students, who otherwise could not continue as pupils. By Nellie L. Claybaugh. *Store Operation*, August, 1926, p. 26:2.

A. & H. Training Course at Buffalo

The Aetna Life Insurance Company conducted as an experiment a brief but intensive training course on important selling and underwriting phases of accident and health insurance. These classes

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were held daily from 12:30 to 2:00 P. M. and were attended by about thirty local agents and brokers. At each session of the class a typewritten sheet of test questions was distributed, based on the topics discussed at that meeting. *The Aetna-Izer*, July, 1926.

Profit Sharing Plans for Salesmen Gaining Favor

Two tendencies in salesmen's compensation plans are coming to light: 1, more and more companies are basing compensation on profits, not volume; 2, a better understanding of selling costs which enables more companies to forecast what profit will be derived from the sale of a given volume. Drawing accounts are universally condemned but widely retained. By Eugene Whitmore. *Sales Management*, July 24, 1926, p. 125:3.

Analyzing Salesmen's Results

The high salesman, once treated as of royal blood, tumbled from his throne when his volume was analyzed for net profits. Against each salesman's gross sales are charged cost of merchandise, warehouse and administrative overhead items, salesman's salary, expenses, and so on. The salesman is provided with all the facts and at any time can see the books. He is not told at what price to sell. He knows the facts and is held responsible for net profits on his route. He therefore pushes items which show the most profit and the ever-present tendency to cut prices is minimized. By W. S. Blum. *Industrial Merchandising*, July, 1926, p. 18:3.

Just What Should a Salesman Be Taught?

One company teaches certain fundamentals to its salesman candidates and then advances them to a consideration of sales tactics and strategy by personal word-of-mouth teaching—without the use of sales manuals. Candidates are grounded in the accurate clerical aspects of their

work and in the relationship of their work to the whole organization. Department heads lecture and are followed by corresponding laboratory work. Buyer-and-seller sketches presented by senior salesmen enliven the course. Road tests and individual conferences close the course. Herbert M. Maxwell. *System*, July, 1926, p. 44:4.

Some Things I Have Learned in Working With Salesmen

One opinion which the author has acquired from experience in selling an office appliance is the desirability of assigning sales territories on a geographical rather than on a vocational basis. The variety of prospects, large, small and all types, keeps the salesman alert and versatile. His time is conserved and service calls on old customers are more easily planned. The varied contacts give the salesman confidence and his daily job of prospecting meets no limitations.

Sales executives who compete with their men in making sales instead of helping them, prove to be a disrupting element. By C. R. Acker. *Sales Management*, August 7, 1926, p. 195:5.

Methods of Training Drivers as Salesmen

In this report the idea is advanced that drivers can be actual salesmen for the companies they represent, and a number of organizations are considering the possibility of training their drivers in the fundamentals of salesmanship as applied to their particular line of business. On the other hand the opinion is not unanimous regarding the value of sales training for drivers. Both points of view are given. *Report No. 88, Policyholders' Service Bureau: Metropolitan Life Insurance Company*. 8 pp.

Organizing Salesmen's Time

Since the discovery by several organizations that salesmen were spending only from 15 to 36 per cent of their time face

to face with buyers, many sales managers have attacked the problem of organizing the salesmen's time. The steps in such procedure are to investigate and summarize how the salesmen spend their time; to plan the most economical proportion of time to be spent on each element of the salesmen's work; to delegate certain of their tasks—clerical work, demonstrations, etc.,—to other persons, to work out better routings and territories; and to instruct the salesmen in ways of saving waiting time. By H. G. Kenagy. *Kardex Institute*, July 15, 1926, p. 1:4.

The Orient Calls the Manufacturer

Trade experts agree that there never was a more propitious time than now for the American manufacturer to increase the sales of his products in the East. But typical American methods of salesmanship and merchandising do not favorably affect the Oriental. However, he expects full value for his money and hence demands an honest product. When this is received, terms of payment are complied with fully and promptly. By Harold Lannon. *Pacific Factory*, July, 1926, p. 39:2.

Can Sales Results be Foretold?

Yes, if the sales talk is sufficiently well thought out in advance. An example is given of an article which demanded substantial orders from every possible dealer at the first call. Lengthy discussions were held at headquarters and much precious time was spent on securing exactly the right word and even the proper inflection. And the ultimate result was not a canned sales talk, but an unusual plan of approach which brought an average of 93 per cent sales. By W. L. Barnhart. *Management*, July, 1926, p. 44:3.

The New Competition On Wheels

Naturally the motorized display is now seen where once the leisurely salesman's buggy brought its message. A substantial exhibition in action right out at the curb pulls the president of the company

from his office and sells him through visualization. Records of the cars now in use establish their effectiveness and invite a broader acceptance of their ingenious facilities. By Raymond C. Willoughby. *Nation's Business*, August, 1926, p. 41:31.

A Purchasing Agent's Do's and Don'ts for Salesmen

Salesmen always wish to know what is in the mind of the prospect. Here is a statement of practical truths. The professional buyer has graduated beyond blandishments. He wants friendly, frank, sincere dealings. Nothing new or difficult appears among these do's and don'ts, but now and then a reminder is stimulating. By Kirke H. Taylor. *Printers' Ink*, July 1, 1926, p. 25:3.

Desk-Bound Salesmen

An anecdotal article which shows that after all the man who makes the most calls makes the most sales. He will run into more leads, pick up tips, meet more prospects, hold his old trade better, and in short, literally run into more sales than any other man on the force. The law of averages is on the side of the man who calls, and calls, and calls. By Hiram Blauvelt. *Printers' Ink*, August 19, 1926, p. 105:3.

How Much Time Should be Spent in Cold Turkey Canvassing?

Eight sales managers herein say that nothing can take the place of cold canvassing as a means of increasing business for specialty salesmen. Each day a salesman should plan to make at least one-third of his calls on new prospects. One concern now selling 37 per cent to new customers and 63 per cent to old users, aims to bring its sales up to a 50-50 basis. A bond house figures a salesman should have 250 clients. To retain this clientele he must increase it by 20 per cent each year to cover a natural falling off of 10 to 15 per cent every year. *Sales Management*, Aug. 7, 1926, p. 203:3.

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Books Received

Instruction Manual for Sheet-Metal Workers. By R. W. Selvidge and Elmer W. Christy. Manual Arts Press, Peoria, Ill., 1925. 167 pages. \$1.20.

The French Debt Problem. By Harold G. Moulton and Cleona Lewis. Macmillan, New York, 1925. 453 pages. \$2.00.

The Tragedy of Waste. By Stuart Chase. Macmillan, New York, 1925. 292 pages. \$2.50.

How to Write Business Letters. By John A. Powell. University of Chicago Press, Chicago, 1925. 181 pages. \$1.50.

Economic Control of Inventory. By Joseph H. Barber. Codex Book Company, New York, 1925. 104 pages. \$2.00.

The Relation of Government to Industry. By Mark L. Requa. Macmillan, New York, 1925. 236 pages. \$2.00.

Survey of Books for Executives

The New Leadership in Industry. By Sam A. Lewisohn. E. P. Dutton & Co., New York, 1926. 229 pages.

Social organizations of every kind are reducible to two elemental factors — men and matter. The interactions between man and man and between man and his physical and social environment constitute the problems of society—political, ethical, educational, economic and the like. By keeping this fundamental fact constantly in mind, Mr. Lewisohn has presented a conception of industrial leadership that stands on all fours with other basic postulates from which we start in erecting our social philosophies and policies and in devising plans for the correction and improvement of our social organizations. "Thus," says the author, "whenever any group is organized, whether for work or pleasure, certain typical reactions may be observed among members of that group. . . . Questions arise of autocracy versus democracy in control; whether it is better that the activity shall be run efficiently by a few or that it be run inefficiently by many. The underlying cause of unrest is the resistance of any subordinate to any system of discipline in a dynamic society."

Administration, management, leadership, therefore, is a constant factor in every form of group organization. If

we bring our economic organization into the discussion it matters not what type of organization these activities may assume; whether a capitalistic or a socialistic form, the administrative factor would be there, and in Mr. Lewisohn's opinion would be the chief ingredient in those problems which have been attributed heretofore to the capitalistic system. Just as the problem of plant depreciation would exist under any system of social organization, so the larger part of the labor problem is independent of the form of our economic organization. "My contention," says the author, "is that capitalism merely adds difficulties to a problem which would exist in its essentials whether we had capitalism or not."

The ordinary difficulties in the organization of people for work is the fundamental and continuous factor. The peculiar difficulties due to capitalism are perhaps only a temporary complication. With this basic conception in mind the author then shifts to the part that the industrial leader plays in the scheme. In this way he draws down from the region of pure abstraction such problems as "capitalistic autocracy", "labor unrest", "the separation of the worker from his tools", "sabotage", "exploitation", "class consciousness", "collective bargaining", "unionism", "living wage", "real wages

and national productivity", "wage policies and industrial depressions".

These problems are treated as administrative relationship arising out of contacts between tangible human leaders and working men instead of "a vague abstraction called capital in juxtaposition to a vague abstraction called labor." The capitalist becomes the actual employer of labor—the manufacturer, the retailer running a large establishment or the contractor; or more concretely still, the different groups concerned in the operation of a large enterprise are first, the banking group representing the capital interested, and secondly, the major executives of the company who report to the directors representing this financial interest. Then come the local production executives, usually called "resident managers" who report to the major executives in charge of the production department. Under the resident managers there are plant superintendents and shop foremen.

But having laid down the basic position which these leaders hold in our social organization the author at once puts upon them definite, concrete responsibilities commensurate with their managerial and social authority. Here again the author avoids broad generalizations. He keeps within the range of actualities as they are presented, in the everyday administrative responsibilities of a busy executive. "When things are not going right, it is common sense to start at the top in locating the cause of friction."

It is refreshing to follow Mr. Lewisohn's lead in his fearless exposition of the industrial leader's responsibilities. The individual initially responsible is the employer, but we can follow him here in only one case. He is analyzing employer-employee cooperation. "In cases of difficulty the primary deficiency in personality is likely to be his. If he is equipped emotionally and intellectually to lead wisely, the industrial situation is almost certain to be good. If he is biased, ignorant or neglectful in the matter of

human organization, there is apt to be an unhealthy condition."

Other writers have frequently said the same thing in substance, but none have put the same emphasis upon wise leadership. In Mr. Lewisohn's philosophy it becomes essential to any successful scheme of social organization. Hence his chapter on "The Mental Hygiene of Employers" is pregnant with meaning to the student of social problems as well as to the practical man. "When trouble arises in any organization, whether it be an athletic team, a philanthropic organization or an industry, one should first study the psychology of the persons in charge. There is no need to inquire at the start whether his followers or subordinates have met him half-way."

This position is very different from those writers who talk vaguely of "co-operation", "loyalty", "character", etc., or who insist upon putting the responsibility upon the "mental attitude of the worker." And just because Mr. Lewisohn believes so thoroughly in the constructive qualities of leadership, he is serene in his criticism of the "die hard" type of executive who refuses to look at employer-employee relationships in a constructive and scientific manner. "Often," he says, "without being aware of it, a large proportion of employers and executives are class conscious. When an issue comes up concerning the labor problem, they do not think, they feel. . . . Thus the relations of employer with labor are tinged with an unpleasant emotional state which makes the whole subject disagreeable to them. . . . The whole matter may be left to subordinates to handle who use archaic methods handed down from generation to generation. Workmen are employed and discharged by foremen. Favoritism or nepotism may be the rule. Modern methods of promotion or of job analysis are unknown. The personality of the laborer is ignored and 'labor' is treated en masse as a sort of wholesale gelatinous commodity. Employees, who in other matters insist on modern sci-

tic methods will be satisfied with 'old wives' tales' as formulas for handling labor problems." Or the employer reacts with an attitude of aggression. "The workers are lazy good for nothings who are merely looking for a chance to do him." He directs his energies to picking off agitators, and fighting all attempts at unionization. Success in handling the labor problem is measured by the submissiveness shown by the employees. "This spirit is often fanned by incendiaries among the employers who seem to enjoy stirring up class antagonism. One suspects a pathological quality in their fanaticism. Such employers are every bit as dangerous demagogues as those against whom they harangue."

But "The New Leadership in Industry" is not merely a criticism of existing methods and policies. It has definite, constructive suggestions for improvement. Here again, however, the author does not attempt to spread his discussion over every phase of industrial unrest. He confines himself to definite and specific cases. For the improvement of industrial leadership he advises our engineering schools to prepare their students for responsibilities of administration in production. "First, because of the increasing importance of engineers as industrial executives (75% of engineering school graduates finally get into administrative positions); second, the management of labor relations is largely in their hands; third, the overwhelming importance of a proper administration of these relations; and fourth, the lack of preparedness of engineer executives to handle these matters properly. The remedying of this situation must be put up to engineering educators."

The author's criticism of the "engineering type of mind", "the technical manager versus the owner-manager", "human engineering", "the made executive", "legislative regulations", "adult education", "the employer and the community" is full of stimulation and charged with suggestions. The last four chapters of the book

from the point of view of the "man on the job" will prove especially stimulating and instructive. In these chapters the author attacks constructively the various problems arising in the fields of employee representation, unionism, wage policies, and the "new leadership".

Unlike other writers in this field Mr. Lewisohn does not approach these subjects from the broad social or the somewhat narrower industrial organization point of view. He begins with the "plant" as his unit. "If we regard the labor problem from this point of view, we concern ourselves with many matters that seem small and unimportant. But they only *seem* so. The dramatic situations in industry which arrest attention, and which customarily arouse interest, are frequently only the explosions caused by the neglect of matters that seem comparatively petty but which accumulate from day to day. A man who is ill attains health not so much by radical treatment as by sane daily hygiene. The intelligent employer, therefore, is focusing attention on intensive adjustment within the factory organization. Goodwill must originate in the industrial plant. It begins in the smallest unit. There are unexplored possibilities of securing harmony by improving relations in the routine of daily work." And so the author again draws the problem out of the haze of rationalization into the light of scientific thinking.

The author's treatment of employee representation as an aid to management is so sane and logical that one is tempted to devote the whole review to this phase alone. Here as in other problems the elements are analyzed until the basic factor is isolated. In this case it is the principles of *consultation*. "This principle is broader than employee representation. It may be applied effectively in simpler forms than employee representation, for the latter is merely one of its more formal developments." The author gives full credit to the spirit of democracy which is forcing the representation prin-

ciple into industry but he sees limits to its application. At no place in the book does the author show more restraint in keeping in check his sympathies for liberal and forward looking ideas. Socialism, industrial democracy, collective bargaining are all given full credit for the good that the author sees in them. At no place does petulance, irritation or prejudice disturb the author's coolness of judgment.

He never loses sight of his original thesis that the world's work requires that men be marshalled to do that work under some sort of organization and leadership. If this is done well the double goal of social endeavor will be reached in greater production of goods and in the higher development of the individual—employer as well as employee.

LEE GALLOWAY, *Vice-President,
Ronald Press Company.*

The Fundamentals of Statistics. By L. L. Thurstone, Ph.D. Macmillan, New York, 1925. 233 pages. \$2.00.

Based upon the author's experience in teaching the fundamental principles of statistics in the field of mental measurements to graduate students in psychology, this book is designed to meet the needs of students who enter psychology from non-mathematical fields of study. Consequently, every detail of statistical procedure is discussed in a simple and clear way, and is illustrated by concrete examples so that it can be easily comprehended by a teacher or investigator who has not had any statistical training.

The contents include: the frequency table and graphs for its presentation; linear and non-linear relations on coordinate scales, and the equation of the straight line; the arithmetic mean, the median, and the mode; the mean, standard, and quartile measures of deviation, and percentile ranks; the binomial expansion, the probability curve, and area of frequency surface; the probable error; the correlation table and the Pearson correlation coefficient. It is accompanied by 20 tables and 40 figures well

chosen and clearly presented. The appendix contains the two tables and figures showing the ordinates of the probability curve and areas of the probability surface.

The book should prove instructive to any student of elementary statistical method although it is designed by selection of material for the student in mental measurements.

DAVID B. PORTER, *Assistant Professor,
Industrial Engineering,
New York University.*

Modern Business English. By A. Charles Babenroth, Ph.D. Prentice-Hall, New York, 1925. 461 pages. \$4.00.

A presentation of the essential qualities of business writing; consideration, construction, compactness, correctness, character, concreteness, cheerfulness. The dress of the letter is also discussed. Various kinds of business letters are examined, such as: the sales letter, appeals to special classes, follow-up sales letters, inquiries, orders and responses, credit letters, collection letters, adjustment letters, applications and business reports. Exercises and problems for oral and written solution are included for the student of business English.

Day Schools for Young Workers. By Franklin J. Keller. Century Company, New York, 1924. 566 pages. \$2.60.

This book is a record of experiences in the Organization and Management of Part-time and Continuation Schools. As such it is a most comprehensive study of the whole subject, taken quite largely from the author's own experiences, but including also studies of the work in various other places.

The part-time school is largely a development of the last five or six years, legislation in a majority of our states making it necessary to meet the situation in some manner. What the job was or how to do it was a question for which no one seemed to know the answer, not only in the beginning but to a considerable extent even today. In the attempt to solve the problem the application of old methods has been

consistently unsuccessful for this is a problem essentially different. In a few places, however, the situation has been met in the light of its own special needs with successful results.

The author is one who has had a clear conception of the true problem and he presents it in this volume in a concise manner. More than that he is one who has helped considerably in the solution of the problem and he gives in detail the actual working out of the solution.

The book treats of the subject as follows: function and objectives; historical facts and conclusions; characteristics of students; organization; course of study; counseling and job finding; coordination of community facts; teaching of subjects; classification, grading and advancement; discipline; social and moral care; supervision and training of teachers; and administration.

The Appendix will be found no less valuable than the main portion. Here the author presents: Bibliography, Typical Job Instruction Sheets, Courses of Study, and a Complete Set of Forms.

Mr. Keller has written a valuable text on this subject, one which should be studied by everyone in educational work. For the teacher in continuation or part-time schools it would appear indispensable.

R. A. MCPHERSON, *Manager, Westinghouse Technical Night School.*

Delaware Corporation Law. By Robert Penington. Clark Boardman, New York, 1925. 485 pages. \$10.00. This important volume contains chapters on the Delaware Law Reporting System, the Development of Corporation Law in Delaware, the Courts of Delaware, and the General Corporation Law of the State of Delaware with amendments thereto and with annotations.

There are also chapters on Foreign Corporations, the Franchise Tax Law, Instructions to Secretaries of Delaware Corporations, Receiverships in Delaware, Receivership forms and Delaware Corporation forms.

Managing the Interview. By J. C. Aspley. Dartnell Corp., Chicago, 1925. 118 pages.

Published to show salesmen how to "reduce the number of wasted interviews and increase the percentage of interviews 'closed,'" to help them to "greater achievement and success."

Evidently not intended as a literary masterpiece, but a straight-from-the-shoulder analysis by a hard-hitting business man of how to handle the interview. The handling of the main idea might be compared to the planning, writing, setting of the scenery, rehearsing, and staging of a play.

Instead of being only a theoretical discussion the main points, thorough preparation after a careful analysis of the situation, an intelligent demonstration, and good hard work, are brought out by concrete illustrations. Some of the illustrations may be rather extreme but they keep in the foreground the dominant thought of careful preparation and work.

It begins at the beginning and develops the various steps, leading up to the sale in logical sequence. It is clear, concise, easily readable, well divided in headings and sub-headings and all points are aptly illustrated.

The author wastes no words in telling the reader right at the start that "The Price of Success is Work." The points are brought out by illustrations of the actual handling of various problems and situations and while all may not be adaptable to some particular business the necessity of thorough preparation before the attempt to make the sale is made is clearly and forcefully shown. The reader is led through the steps of the sale from the thorough preparation in advance, gaining an audience, the carefully planned demonstration to the close or getting the name on the dotted line. No salesman can read this book without realizing the value of a careful study of the customers' problems and planning his interview accordingly.

Any discussion of "mental domination"

or the psychological side is avoided and the author confines himself to concrete facts and illustrations.

The last chapter is a forceful climax and is built up around the one thought, "Work."

A book that should be in the hands of every salesman.

C. J. LAFLEUR, *Sales Manager,
Kasco Mills, Inc.*

Uniform Medical Provisions for Workmen's Compensation Acts in the United States. National Industrial Conference Board, New York, 1925. 28 pages. \$1.00.

"Uniform Medical Provisions for Workmen's Compensation Acts in the United States," Special Report No. 31 of the National Industrial Conference Board, presents the results of "an effort to formulate certain basic principles or standards relating to the medical features of compensation laws, which it may seem desirable to embody in these laws to promote their uniformity and successful administration." This report is largely the work of Dr. F. L. Rector, formerly of the staff of the National Industrial Conference Board, with the assistance of the Conference Board of Physicians in Industry.

From previous studies of the Workmen's Compensation Acts in the various states it was obvious that there were wide differences with respect to the medical provisions. It was assumed that all of these laws were aiming at the same purpose and therefore it seemed justifiable to suggest a uniform set of principles upon which each state law could be modeled. "Identical provisions in different laws have been and are being given conflicting interpretations, which have resulted in confusion and difficulty, particularly to industrial organizations operating branches in more than one state."

As it was phrased in one of the Conference Board's previous reports: "From the beginning, medical questions have been among the most important of all questions

involved in the administration of these laws. Every case arising under these laws involves medical questions, either immediately or ultimately. Regardless of the legal or administrative problems that may be involved in a compensation case, the medical problem is one of the first to be encountered and one of the most important to settle in a manner satisfactory to all."

Anyone who has dealt with workmen's compensation cases realizes all too well the necessity for ironing out many of the difficulties which constantly arise and which seem at times to work injustices not only to the employer but to the employee as well.

The first part of the Report reviews the main points relating to medical phases of compensation laws in connection with which the difficulties and conflicts have arisen. Physicians' fees, rehabilitation of the injured, physical examinations, employers' responsibility, responsibility of the employee, dismemberment, autopsies, disease, the result of accident, latent diseases, eye injuries, hernia, and occupational diseases, are the points covered.

The second part deals with suggested provisions bearing on these matters. No attempt is made to form a model compensation act, but the suggestions given which bear on the medical requirements of such laws would add greatly to uniformity in interpretation and application of such laws, and would, it is felt, make for greater satisfaction all around.

"Action in this direction is important because decisions are being rendered and precedents established under present laws that are not in keeping with sound medical opinion and that will be increasingly difficult to alter as time passes and they become more firmly established."

Any medical body, manufacturers association, or legislator interested in modification of existing compensation laws should by all means consult this very valuable report.

W.M. ALFRED SAWYER, M.D.,
*Medical Director,
Eastman Kodak Company.*